

calling in the county.

In the interest of being responsive to the expressed needs of Smith County residents, and as a vehicle for gathering data on possible future enhancements for the ACP, the Commission finds that modifications to the ACP for Smith County on a trial basis are desirable. The Company and the Staff should work together to determine such modifications and implementation schedule. Upon the accumulation of sufficient data the staff and the Company shall review the results of the Smith County modification to determine the feasibility and desirability of extending the modifications on a statewide basis.

H.

The evidence presented was sharply conflicting concerning the necessity for and frequency of hearings when changes in rates are to be made under the Plan following the Company's semi-annual reports to the Commission of certain required financial data. Certain Intervenor proposed that hearings be held every time there is any such change in rates under the Plan. The Commission finds that this proposal is wholly unworkable and would defeat the very efficiencies that the Plan is designed to accomplish. Accordingly, the Commission determines that no hearings will be required with respect to changes in rates under the Plan, so long as these changes are within the limits prescribed by Section 77-3-2(h).

I.

The evidence was also conflicting concerning the necessity for hearings before modification can be made to certain schedules found in the Plan. The Plan proposed by the Company provided that services subject to change under the Plan were specified in Schedules 4 and 5 to the Plan. That proposed Plan further provided for periodic reviews by the Commission and the Company respecting any modifications that should be made to those Schedules. In our view, this proposal is unacceptable because it places entirely too much authority

in the hands of the Company and the Staff, without the safeguards of notice to persons who may be affected by such modifications to Schedules 4 and 5 and the opportunity for them to be heard. If any modifications to Schedules 4 or 5 are proposed by the Company or the Staff, an appropriate request to the Commission therefor must be made, and notice will be given to persons potentially affected thereby; and, if appropriate, hearings will be held to determine whether such modifications should be made. Accordingly, the Commission orders the preparation of a Rate Stabilization Plan which incorporates the conclusions in this regard.

III. FINDINGS CONCERNING REDUCTIONS

The \$22.8 Million reduction in rates resulting from the April 26, 1990 Stipulation presents the Commission with a pleasant dilemma; i.e., how to equitably spread the rate reduction to most effectively benefit the ratepayers of Mississippi. Most all of the parties and intervenors urged that the reduction be applied to areas involving their respective interests. This is understandable for they are advocates. However, the Commission's charge is to protect the interests of all parties, intervenors, ratepayers, and the Company. There is no difficulty in determining the areas that deserve consideration for reduction. They are numerous. The funds, however, are finite. With the foregoing in mind, we undertake the task at hand.

Blocking of 900/976 Numbers

The Mississippi Public Service Commission has previously ordered that South Central Bell block 900 and 976 numbers free of charge for residential customers that request blocking. Since that time it has been brought to the Commission's attention, through numerous complaints, that other classes of ratepayers such as churches, schools and businesses, also desire to have 900 and 976 numbers blocked. Commissioner Watson initiated an inquiry into this matter at the hearing

and South Central Bell agreed to furnish the Commission information concerning the revenue loss and cost to South Central Bell to provide blocking of these numbers free to all classes of ratepayers. The Commission finds that it is in the public interest to eliminate the existing \$3.75 monthly charge to the above classes of customers for blocking of such calls. Therefore, a portion of the \$22.8 Million rate reduction shall be applied to this service as set out in Ordering paragraph 3 below.

Extended Area Calling Plan (ACP)

Four public witnesses urged the Commission to extend local calling in Smith and DeSoto Counties. Additionally, the Commission has received numerous inquiries from residents in these two counties and other counties concerning these issues. South Central Bell, through its witness James H. Anderson, also requested the Commission to extend the Area Calling Plan from 22 miles to 30 miles. This would allow residents of all Mississippi counties to call their county seats on a local measured basis. The extension of the Area Calling Plan will also go a long way in helping alleviate the Extended Area Service (EAS) problems facing many rural customers. As pointed out by Mr. Anderson, intraLATA short haul toll rates are at a level that substantially restricts calling to nearby exchanges. This limits economic expansion from larger cities into the rural areas which are served by a nearby exchange. Reducing these short haul toll rates should serve to open up opportunities for economic development. In large metropolitan areas today, customers can call locations that are 30 miles away on a local basis. In many of the smaller exchanges in the state, it is necessary to call on a toll basis at these and even shorter distances. Expansion of the Area Calling Plan to 30 miles makes expanded calling scopes available to customers in smaller exchanges on a basis similar to customers in larger exchanges. We are convinced that high toll rates do create an economic barrier to the citizens of our state and

that by reducing rates in these areas we will help enhance the economic development of the state. Therefore, a portion of the \$22.8 Million rate reduction shall be applied to extend the call area from 22 miles to 30 miles and to include county seat calling as set out in Ordering paragraph 3 below. This shall be accomplished no later than July 31, 1990 in those exchanges where the Area Calling Plan is currently in effect.

Bi-Jurisdictional WATS

The Commission finds that during the pendency of this case, it received correspondence from several interexchange carriers requesting that the Commission review its policy on the requirement for jurisdictionally separate WATS access lines. That policy was set forth in Docket No. U-4977, in which the Commission ordered that interstate and intrastate WATS service be provided over jurisdictionally separate WATS access lines.

On April 20, 1990, South Central Bell filed a tariff revision (to be effective July 2, 1990) which provided for the introduction of a bi-jurisdictional WATS service. The estimated annual revenue impact on South Central Bell of the filing is a reduction in revenues of \$770,000. The Commission finds that significant changes have occurred in the market to the point where jurisdictional restrictions are no longer appropriate and that customers will benefit from this filing through the ability to construct more efficient networks. Therefore, South Central Bell's proposed bi-jurisdictional WATS tariff should be implemented effective July 2, 1990 and a portion of the \$22.8 Million rate reduction shall be applied to this service as set out in Ordering paragraph 3 below.

Rural Zone Mileage Charges

Rural zone mileage charges are designed to recoup the extra expense to serve customers located outside the base rate area. The same charges are also responsible for some customers not being able to afford single line service. As

stated by Mr. Anderson of South Central Bell, the zone charge is simply a fixed charge that is added to the basic rate for customers who live in a rural area. In keeping with the universal service goal of this Commission, a reduction in zone charges would make telephone service more affordable to customers desiring single line telephone service. Also, by combining zone charge reductions with the Area Calling Plan reductions, customers in rural areas can see a substantial reduction in their phone bill.

Therefore, we find that we can accomplish our stated goals by allocating a portion of the \$22.8 Million rate reduction to all rural zone mileage charges as set out in Ordering paragraph 3 below.

IntraLATA Toll Reduction

IntraLATA toll charges are priced above cost and consequently provide a contribution to local service. Historically, intrastate rates have been priced higher than interstate rates. However, with increasing competition from the resellers and interexchange carriers, intraLATA toll rates must be reduced in order for South Central Bell to retain any of that business and remain in a competitive posture for the future.

South Central Bell, the Attorney General and Mississippi Legal Services Coalition/Southeast Mississippi Legal Services entered into a Stipulation on May 14, 1990. In paragraph 5 of that Stipulation the parties to the Stipulation suggested allocation of the reduction to certain areas; one of them being a reduction in intraLATA toll in the amount of \$10 Million.

The updated testimony of AT&T's witness, Neil E. Brown, suggested a reduction to be allocated between intraLATA toll and local services in the amount of \$12.6 Million.

South Central Bell urged that any reductions to intrastate access charges must be accompanied by reductions to South Central Bell's intraLATA toll rates. The Company

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testified that such concomitant reductions are necessary in order to avoid increasing the disparity between South Central Bell intraLATA toll rates and rates for interLATA calling.

Mr. Anderson of South Central Bell testified on direct and cross-examination that intrastate toll was priced above cost and that it was South Central Bell's intention to move it toward cost.

The Supreme Court of Mississippi in Pittman v. MPSC, 538 So.2d 387,400 (Miss. 1989) said:

Under the statute utility rates must be just and reasonable. The statutory requirement of just and reasonable rates is satisfied when the rates are cost based.

Cost based rates are a goal of this Commission, however, it is the experience of this Commission that the goal of cost based rates often conflicts with other goals of this Commission, e.g., universal service. Additionally, moving to cost based rates too quickly can result in rate shock to the local subscriber. The Commission views cost based rates as an ideal, a yellow brick road that we tread deliberately and diligently with full knowledge that countervailing goals may prevent our arriving at the goal of totally cost based rates. Therefore, a portion of the \$22.8 Million rate reduction shall be applied to intraLATA toll as set out in Ordering paragraph 3 below.

Lifeline Program

Legal Services witness Roger Colton advocated the institution of a lifeline program in Mississippi and urged that a portion of the \$22,800,000 rate reduction be used to implement such program. This Commission is committed to the ideal of universal telephone service and we are very much aware of the special needs of very low income ratepayers. We have directed the Company to file two (2) separate tariffs which significantly address the needs of low income customers. The first of these was Link-Up Mississippi, which was approved in May of 1988. This plan has been successful in promoting

subscriberhip among low income households without triggering the need for increases in basic local exchange rates. The second tariff filed by the Company to address the needs of low income customers was the Area Calling Plan (ACP) as ordered by the Commission in Docket U-5214. The ACP was designed to "provide a way for ratepayers to control their local telephone rates, help low income persons have access to the network, and address extended area calling concerns".

The Commission finds that a portion of the \$22.8 Million should be allocated to address further the needs of our low income telephone subscribers. Testimony supports both the need to further refine the ACP and implement a Lifeline Service offering which would be available to all persons meeting the eligibility requirements to be established for the program. Lifeline is a federal assistance program whereby part or all of the federal subscriber line charges are waived to the extent that intrastate rates for these customers are likewise reduced. Therefore, for those customers who meet the eligibility requirements for the lifeline service offering, the Commission finds that the ACP monthly rate should be reduced by \$1.00. The Commission with input from the Company and Legal Services will develop a Lifeline plan consistent with this order for the purpose of submission to the Federal Communications Commission to secure plan certification and thereafter ACP monthly rates shall be reduced as set forth above.

Therefore, a portion of the \$22.8 Million rate reduction shall be applied to these services as set out in Ordering paragraph 3 below.

Intrastate Access Charges

Prior to divestiture AT&T and the Bell Operating Companies were siblings as issue of "Ma Bell" and shared many common interests. Since divestiture their common interests have diminished and it is not unusual for the former siblings to agree to disagree. One issue that AT&T and South Central

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Bell do intrastate access charges should be moved to interstate access charges. South Central in Anderson, AT&T's witnesses Garry L. Sharp, and MCI's witness Don Wood, all advocated intrastate access charges. These witnesses' goal is for intrastate access charges to state access charges, however, the intervenor's goal accomplished instant. The Company would be inappropriate to reduce intrastate as by the amount urged by the intervenor to have such parity at this time. South Central Bell General and Legal Services, in their aforementioned stipulation, set the intrastate access reduction at 10%. The Commission accepts the concept that intrastate charges should move toward parity with interstate as, however, as we stated previously, the funds at this are finite. The Commission agrees with the action taken by the Company, the Attorney General and as in their stipulation. Therefore, a portion of Million rate reduction shall to be applied to the of intrastate access charges as set forth in Order 3 below.

IT IS, ORDERED by the Commission that:

1. It be the best interests of Mississippi ratepayers, that this Commission, and the Company for this Commission and implement a Rate Stabilization Plan.
2. The Commission hereby adopts and orders the implementation of the Mississippi Rate Stabilization Plan in the form and content of the November 15, 1989 Plan filed by the Company, buttressed by our Findings herein. In order to implement this Commission order with respect to the Mississippi Rate Stabilization Plan, the Company is ordered to make the modifications required herein and is ordered to prepare and file an amended tariff which will become part of the Company's tariff.

of its General Subscriber Services Tariff, with an effective date of July 1, 1990.

3. The Company shall immediately file, to become effective with billing periods on and after July 1, 1990, except as otherwise set forth herein, tariffs, rates, and charges, to reduce its rates by an annual amount of \$22,800,000 to be applied as follows:

<u>Service Categories</u>	<u>\$ Reduction Amount</u>
<u>Lifeline</u>	<u>1.4M</u>
<u>ACP</u> <u>Expand current ACP calling areas</u> <u>to 30 miles and allow all ACP</u> <u>customers to call County seat</u>	<u>3.5M</u>
<u>Access</u> <u>Reduce intrastate originating</u> <u>and terminating CCLC toward</u> <u>the interstate level</u>	<u>4.0M</u>
<u>Toll</u> <u>MTS Rates</u>	<u>10.0M</u>
<u>Rural Zone Mileage Charges</u>	<u>2.5M</u>
<u>DeSoto County</u>	<u>.55M</u>
<u>Smith County</u>	<u>.07M</u>
<u>Bi-Jurisdictional WATS</u>	<u>.77M</u>
<u>Blocking</u> <u>Free blocking of calls to 976/900</u> <u>numbers from businesses, churches,</u> <u>and schools</u>	<u>.017M</u>

4. This Order constitutes the final Order of this Commission in this cause, and supersedes and supplants any interim or other prior Orders herein to the extent that any such Order is inconsistent with any finding or conclusion herein, or any other provision hereof.

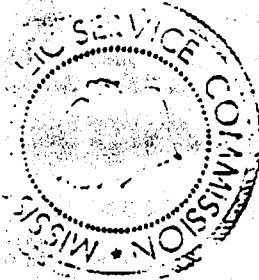
5. Each specific finding of fact and conclusion of law heretofore made in this Order is accepted and adopted as an ultimate finding of fact and conclusion of law by the Commission.

ORDERED by the Commission this the 18th day of

June, 1990.

Chairman Nielsen Cochran voted Aye; Vice Chairman Bo
Robinson voted Aye; Commissioner George T. Watson voted
Aye.

MISSISSIPPI PUBLIC SERVICE COMMISSION



Nielsen Cochran
Nielsen Cochran, Chairman

Bo Robinson
Bo Robinson, Vice Chairman

George T. Watson
George T. Watson, Commissioner

ATTEST: A TRUE COPY

Brian U. Ray
Brian U. Ray, Executive Secretary

ATTACHMENT A

1. Residence Basic Exchange
2. Business Basic Exchange
3. PBX Trunk
4. Public telephone
5. Private Line Intrastate
6. In WATS
7. Out WATS
8. Carrier Feature Group A Intrastate
9. Carrier Feature Group B Intrastate
10. Carrier Feature Group C Intrastate
11. Carrier Feature Group D Intrastate
12. Billing and Collections Intrastate
13. Operator Services
14. Directory Assistance Carrier
15. Directory Assistance Intrastate
16. Custom Calling
17. Touchtone
18. Inside Wire-Embedded
19. Miscellaneous
20. Emergency Services
21. Centrex (ESSX, etc.)
22. SCB IntraLATA Toll

Add
Other
Touchtone
Ringmaster
Data Transport

If a service listed is not now provided or ceases to be provided by the Company it is automatically deleted from the list.

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BEFORE THE
MISSISSIPPI PUBLIC SERVICE COMMISSION

MISSISSIPPI PUBLIC SERVICE
COMMISSION 89-UN-5453
NF89-149

SOUTH CENTRAL BELL
TELEPHONE COMPANY
(I.D. NO. TC-123-0001-00)

IN RE: NOTICE AND APPLICATION OF
SOUTH CENTRAL BELL TELEPHONE
COMPANY FOR ADOPTION AND
IMPLEMENTATION OF A RATE
STABILIZATION PLAN FOR ITS
MISSISSIPPI OPERATIONS

STIPULATION

Pursuant to Section 77-J-47 of the Mississippi Code of 1972, as amended, the Public Utilities Staff of the Mississippi Public Service Commission, the Attorney General of the State of Mississippi, Mississippi Legal Services Coalition and Southeast Mississippi Legal Services, and South Central Bell Telephone Company (the "Company"), do hereby agree, stipulate and designate specific issues upon which said parties have agreed. The Staff and the Company submit these Stipulations for acceptance and adoption by the Commission.

(1)

The Company's 1990 forecasted actual capital structure of 61.55% equity and 38.45% debt is the appropriate capital structure.

(2)

The total embedded cost of the Company's long-term and short-term debt is 8.67%.

(3)

For purposes of implementing the Mississippi Rate Stabilization Plan, the rate base for 1990 is stipulated to be \$276,075,000.

(4)

The ongoing average investment base of the Company shall be calculated in accordance with Exhibit A attached hereto.

(5)

For purposes of implementing the Mississippi Rate Stabilization Plan, the income for 1990 is stipulated to be \$110,828,000.

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(6)

The rate of return range for use in the Mississippi Rate Stabilization Plan is stipulated to be 10.74% to 11.74% return on average investment base (Rate Base as defined in Exhibit A).

(7)

South Central Bell will reduce rates effective on the date of the implementation of the Mississippi Rate Stabilization Plan by an annual amount of \$22,800,000. Such reductions will be applied to various rates in accord with the Commission-determined schedule of priorities for rate changes as established in the Commission's Order.

(8)

In principle, rate stabilization plans such as the Mississippi Rate Stabilization Plan should work to the benefit of the regulatory process and the Mississippi ratepayers.

(9)

It is understood by the parties that the term Mississippi Rate Stabilization Plan as used in these stipulations shall mean the rate incentive plan finally adopted by the Public Service Commission and not necessarily the Plan with the terms as proposed initially by South Central Bell.

These stipulations and agreements are made and entered into by and between the Public Utilities Staff of the Mississippi Public Service Commission, the Attorney General of the State of Mississippi, Mississippi Legal Services Coalition and Southeast Mississippi Legal Services, and South Central Bell Telephone Company, and are submitted for acceptance and adoption by the Commission this the 26th day of April, 1990.

PUBLIC UTILITIES STAFF OF THE
MISSISSIPPI PUBLIC SERVICE COMMISSION

BY: Bill Summers
Bill Summers
Director of Public Utilities

SOUTH CENTRAL BELL TELEPHONE COMPANY

By: *John M. McCullough*
John M. McCullough
General Attorney

ATTORNEY GENERAL OF THE
STATE OF MISSISSIPPI

By: *Frank Spencer*
Frank Spencer
Assistant Attorney General

MISSISSIPPI LEGAL SERVICES COALITION
SOUTHEAST MISSISSIPPI LEGAL SERVICES

By: _____
John Joplin

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JS

SOUTH CENTRAL BELL TELEPHONE COMPANY

By: John M. McCullough
John M. McCullough
General Attorney

ATTORNEY GENERAL OF THE
STATE OF MISSISSIPPI

By: Frank Spencer
Frank Spencer
Assistant Attorney General

MISSISSIPPI LEGAL SERVICES COALITION
SOUTHEAST MISSISSIPPI LEGAL SERVICES

By: John Joplin
John Joplin

EXHIBIT A

INTRASTATE RATE BASE CALCULATION

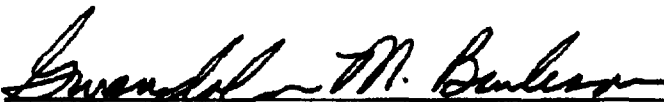
1. Telephone Plant In Service
2. Telephone Plant Under Construction - Short Term
3. Property Held for Future Telephone Use
4. Investment in BellSouth Services
5. Material and Supplies
6. Cash Requirements
7. Gross Investment (1+2+3+4+5+6)
8. Depreciation Reserve
9. Net Investment (7-8)
10. Accumulated Deferred Income Taxes
11. Working Capital *
12. Customer Deposits
13. Rate Base (9-10-11-12)

* An amount totaling \$22,626,000 will be deducted in determining the Rate Base used in the semi-annual reporting under the Mississippi Rate Stabilization Plan until a Lead/Lag (Working Capital) Study is agreed to between the Company and the MPSC Staff. If no agreement is reached, this issue will be decided by the MPSC.

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J.M.
JS

CERTIFICATE OF SERVICE

I hereby certify that I have this 17th day of July, 1995 served all parties to this action with a copy of the foregoing **RESPONSE TO DATA REQUEST** by placing a true and correct copy of the same in the United States Mail, postage prepaid, addressed to the parties listed below.


Gwendolyn M. Burleson

**Honorable Joseph Chachkin
Administrative Law Judge
Federal Communications Commission
2000 L Street, N.W., Room 226
Washington, D.C. 20554**

**Vicksburg Video, Inc.
by its attorneys
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Kurt A. Wimmer, Esq.
Covington & Burling
1201 Pennsylvania Ave., N.W.
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Washington, D.C. 20044**

**Kathleen M.H. Wallman
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2000 L Street, N.W.
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**Telecable Associates, Inc.
Mississippi Cablevision, Inc.
Mississippi Cable Television Association
UACC Midwest, Inc.
d/b/a United Artists Cable Mississippi
Gulf Coast
by their attorney
Paul Glist, Esq.
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**Mississippi Public Service Commission
P.O. Box 1174
Jackson, MS 39215**